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Is Per Capita Growth in Africa Hampered by Poor Governance and Weak Institutions? An Empirical Study on the ECOWAS Countries

Abdoulaye Diop, Gilles Dufrénot and Gilles Sanon

Abstract: This paper proposes an empirical study of the links between poor governance, weak institutions and the growth of per capita income in the countries that belong to the Economic Community of West African States (ECOWAS). We estimate a conditional beta-convergence model using panel data. We find that variables such as the rule of law, property rights, the regulatory burden, political violence, and government ineffectiveness hinder growth in these countries. An interesting question is then the following: what can the countries do to improve their situations? To answer this question, we give several examples (Ghana, Nigeria and the NEPAD) of measures that are undertaken in order to strengthen the institutions and improve governance.

The Location of Manufacturing Exporters in Africa: Empirical Evidence

Wim Naudé and Marianne Matthee

Abstract: The costs of accessing and using a port/export hub should be high on the list of priorities for export promotion agencies in Africa. This conclusion emanates from this paper focusing on the geographical location of manufacturing export industries in South Africa. Here manufacturing export firms tend to be spatially concentrated with about 84 per cent of total manufacturing exports produced in only 6 per cent of magisterial districts. Distance from an export hub is negatively related to the density of manufactured exports. The largest volumes of manufactured exports are generated within 100 km of an export hub. For electronics, about 98 per cent of manufacturing takes place within 100 km of an export hub. Comparison over time showed that the number of locations from which manufacturing exports occur increased by 15 per cent over 1996–2004 and that manufacturing exports increased in the band between 200 and 400 km from the nearest hub.

Government Securities Markets in the West African Economic and Monetary Union: A Review

Amadou N.R. Sy

Abstract: The paper reviews trends and developments in the WAEMU government securities markets. Issuance of debt has grown more than tenfold since 2000 in the

region, driven by the rapidly growing Treasury bills segment. The elimination of central bank financing of government has been the catalyst of this growth while excess liquidity in the banking system has helped sustain the market. Common institutions, such as a regional central bank and uniformity of issuance and distribution procedures have led to high cross-border transactions. However, supply and demand conditions are more important than economic fundamentals in determining Treasury bill rates.

Managing Future Oil Revenues in Ghana: An Assessment of Alternative Allocation Options

Clemens Breisinger, Xinshen Diao, Rainer Schweickert and Manfred Wiebelt

Abstract: Contemporary policy debates on the macroeconomics of resource booms often concentrate on the short-run Dutch disease effects of public expenditure, ignoring the possible long-term effects of alternative revenue-allocation options and the supply-side impact of royalty-financed public investments. In a simple model applied here, the government decides the level and timing of resource-rent spending. This model also considers productivity spillovers over time, which may exhibit a sector bias toward domestic production or exports. A dynamic computable general equilibrium (DCGE) model is used to simulate the effect of temporary oil revenue inflows to Ghana. The simulations show that beyond the short-run Dutch disease effects, the relationship between windfall profits, growth, and households' welfare is less straightforward than what the simple model of the 'resource curse' suggests. The DCGE model results suggest that designing a rule that allocates oil revenues to both productivity-enhancing investments and an oil fund is crucial to achieving shared growth and macroeconomic stability.

Distance to Growing Markets and Sub-Saharan African Exports

Alberto Behar and Phil Manners

Abstract: A typical person in sub-Saharan Africa is a long way from world markets and is further from world markets now than in 1980. This partly reflects slower growth within Africa than for the world as a whole. Despite slower growth in Africa, African exports have become increasingly regionalized. By 2005, a country in Africa typically exported more than twice as much to a country in its own region as would be expected based on economic size and bilateral distance. This regionalization was not present in the early 1980s and has become stronger over time. We find evidence of positive neighborhood effects through exports, but sub-Saharan countries benefit less from growth in their own

region than this typical relationship indicates. Given the small share of exports destined to their neighbors, low-income countries in sub-Saharan Africa experience relatively modest export growth from growth in the region. These factors imply that African countries are unlikely to pull each other out of poverty and a regional focus may be less effective than a focus on countries outside of the region.

An Assessment of the Impact of a COMESA Customs Union

Rojid Sawkut and Seetanah Boopen

Abstract: The Common Market for Eastern and Southern Africa (COMESA) launched its free trade area (FTA) on 31 October 2000 and is in the process of forming a custom union. A Common External Tariff (CET) with respect to all goods imported into the member states from third countries shall be established and maintained. The purpose of this study is three-fold. The first purpose is to assess the impact of the CET. Here we lowered only external tariffs to all regions leaving tariffs within COMESA as they are now to reflect the real situation. In this scenario, we take into consideration sensitive products which COMESA members might want to exclude from the CET to protect their markets. The second purpose is to implement the COMESA FTA fully. That is, to remove tariff on trade within COMESA states totally. This part of the study will give us an idea on whether countries within COMESA are losing by not implementing the FTA and if so, by how much. The third purpose is to assess the impact of the CET in a fully operational COMESA FTA. The methodology used for this analysis is a Computable General Equilibrium (CGE) — more specifically the Global Trade Analysis Project (GTAP) framework is used. Two standard GTAP closures have been modified to more realistically represent the African economies, namely the employment closure and the trade balance closure.
